

# SASKATCHEWAN OPPORTUNITIES CORPORATION ANNUAL REPORT 2008





# LETTER OF TRANSMITTAL

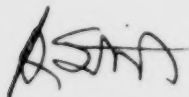
April 28, 2009

To His Honour  
The Honourable Dr. Gordon Barnhart  
Lieutenant Governor of the Province of Saskatchewan

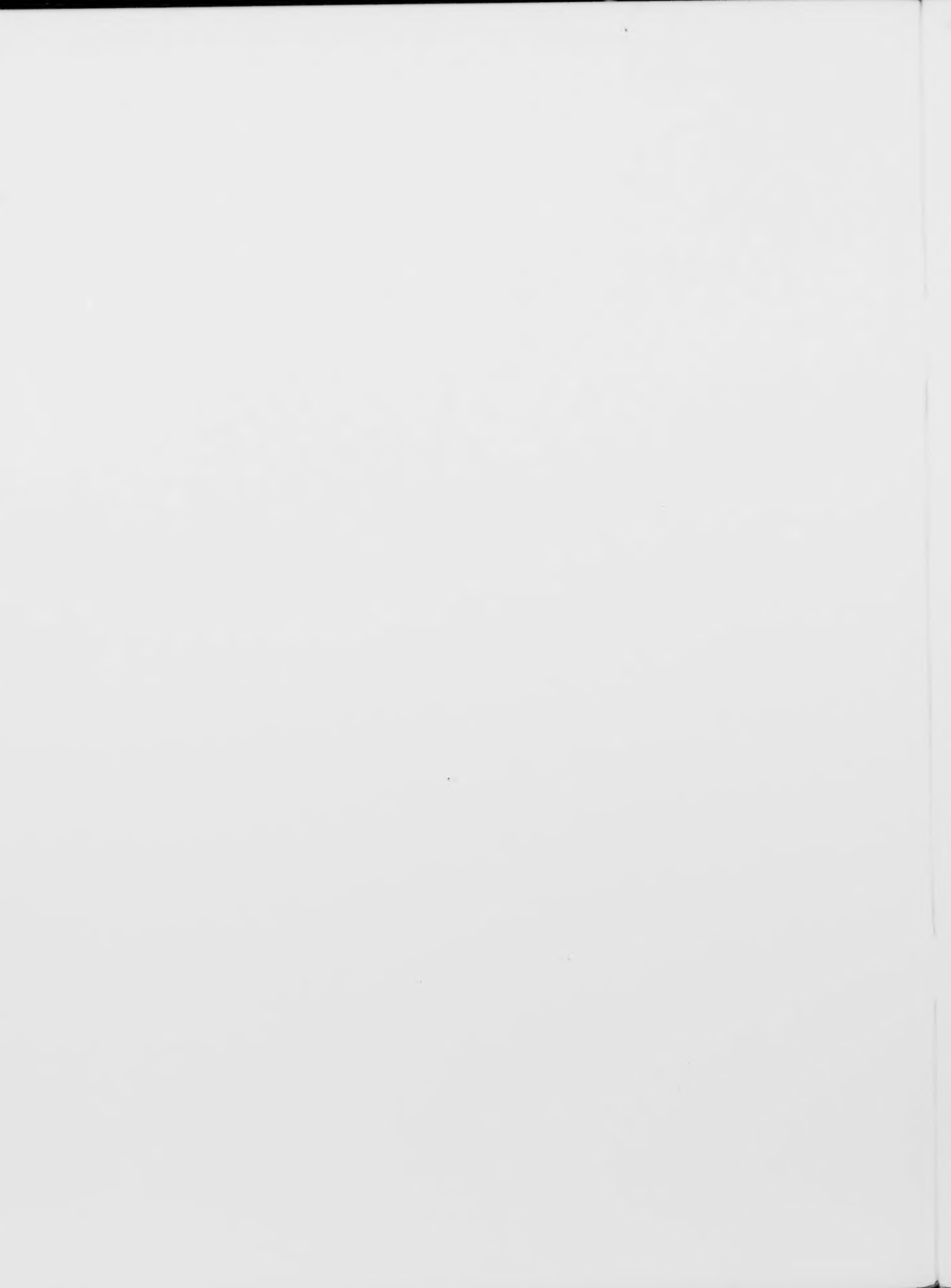
Dear Sir:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation for the year ended December 31, 2008, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,

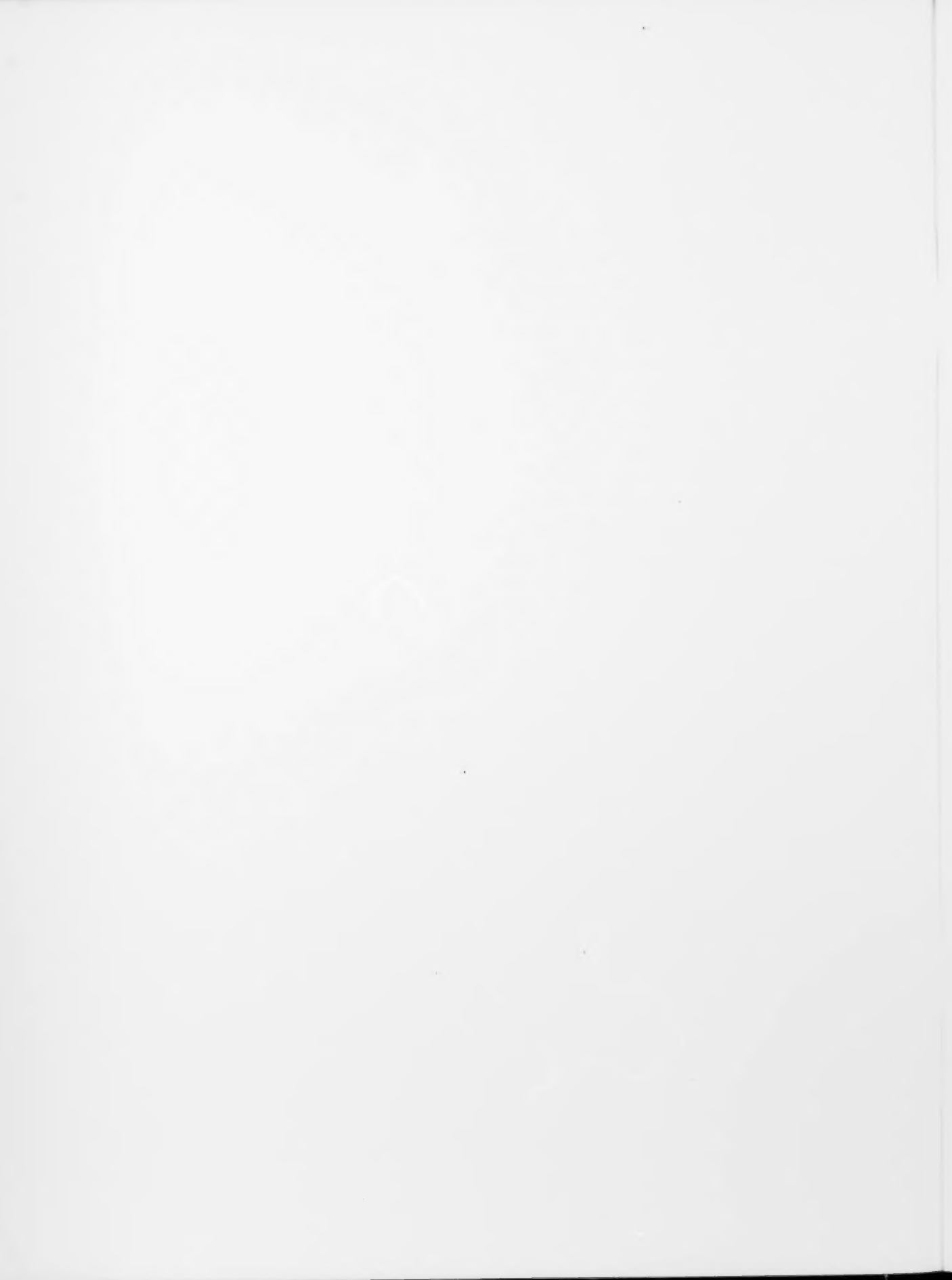
A handwritten signature in black ink, appearing to read 'L. Stewart', with a stylized flourish at the end.

**Lyle Stewart**  
Minister Responsible for Saskatchewan Opportunities Corporation



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# MESSAGE FROM THE CHAIR

Saskatchewan Opportunities Corporation (SOCO) enjoyed another successful year in 2008 providing quality facilities and services to the tenants of Innovation Place in Saskatoon, Regina and Prince Albert.

As Chair of SOCO's Board of Directors, I see the planning and preparation that goes into ensuring our research parks are able to deliver on their mandate to support the growth and success of Saskatchewan's technology sector. Starting with a single building and seven tenants in 1980, the research parks today encompass more than 1.5 million square feet and serve over 170 diverse tenants who support each others' growth and successes.

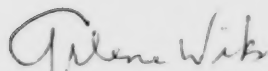
Saskatchewan's research parks enhance job creation in the advanced technology sectors by supporting the growth of local initiatives and by attracting new jobs to the province.

This year witnessed seven start-up companies established in the research parks and six companies moving in from outside the province. Construction of a new 151,000 square foot building, 121 Research Drive in Saskatoon, was completed in 2008 and is now fully occupied.

SOCO remains committed to reducing the environmental footprint of the research parks. SOCO has set Leadership in Energy and Environmental Design (LEED®) Silver as the minimum standard for new building design and has set a BOMA BEST rating of 800 as the minimum target for environmentally sustainable operation of its buildings.

Demand for Innovation Place facilities has been strong through 2008. The desire of existing tenants to expand, entrepreneurs to take the risk on a new business and companies to move to the province all bodes well for the future of Saskatchewan's advanced technology sector.

On behalf of the SOCO Board of Directors, I would like to extend our appreciation to the management and staff for their hard work and dedication in achieving outstanding results in 2008. Their understanding of the wants and needs of our clients has resulted in excellent service to our tenants. Although our economic environment is changing, we believe we are well positioned for continued success in 2009.



**Arlene Wiks**  
Chair of the Board

# MESSAGE FROM THE PRESIDENT

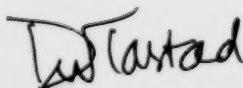
These are exciting times for Saskatchewan and for Innovation Place. This past year was our best financial year for some time. Cash from operations and revenue were the highest in the company's history. I thank the employees of Innovation Place for their dedicated contribution to the success of the past year.

Our tenants made a great contribution to the Saskatchewan economy in 2008. The number of people employed in our parks increased by 555 during the year, one of the best year over year increases in our history. There are now well over 4,000 people working in Innovation Place facilities. Not surprisingly the direct economic impact from our tenants increased as well, to an impressive \$647 million. This growth came from a balanced mix of start-up companies, companies moving to the province and the growth of existing tenants.

Despite the past year's success I can't help but be concerned about the economic uncertainties we all face. The strong economic growth in the province is counterbalanced by the disturbing economic problems facing the world. Tenants of Innovation Place sell their products and services internationally. Falling demand for these goods and services as the world economy contracts is a real possibility.

Innovation Place will work with its clients to ensure that their facility needs are matched to their business prospects. We will ensure that any new development plans are undertaken based on a solid understanding of client needs and their ability to undertake the commitments inherent in their lease contracts.

Innovation Place enters 2009 proud of our success, optimistic about our future but committed to reasonable caution during the present economic turbulence.



**Douglas Tastad**  
President and Chief Executive Officer



# CORPORATE GOVERNANCE

## Authority

Saskatchewan Opportunities Corporation (SOCO or the Corporation) is a Crown corporation governed by *The Saskatchewan Opportunities Corporation Act*, and subject to the provisions of *The Crown Investments Corporation Act, 1993*. SOCO conducts its business under the operating name of Innovation Place.

Through the Chair the Board of Directors is accountable to the Minister Responsible for SOCO. The Minister Responsible for SOCO is the key communications link between SOCO, Crown Investments Corporation (CIC), Cabinet, the Legislature and the public. The Chair is an independent Director and has a written Terms of Reference.

## Board Appointments

The Lieutenant Governor in Council appoints members of the Board and designates the Chair. Directors are appointed for a fixed term and their appointments can be renewed at expiry. Appointments are governed by the CIC Board of Directors Appointment Policy, which ensures the principles of objectivity, inclusivity, transparency and consistency are adhered to.

## Key Accountabilities

The Board of Directors is responsible for supervising the management and affairs of the Corporation. While focusing on the strategic leadership of the Corporation, the Board delegates day-to-day operations to management and holds them accountable for the Corporation's performance.

The Board has adopted a written Terms of Reference, which outlines the scope, duties and responsibilities for the stewardship of the Corporation. The Board discharges its responsibilities directly, by delegation to management and through committees of the Board. The Saskatchewan Opportunities Corporation Board has two committees: the Audit and Finance Committee and the Human Resources and Governance Committee. Both committees have written Terms of Reference and Work Plans.

Management provides a comprehensive Reference Manual to each Board member in addition to an orientation session detailing the nature of SOCO's business. CIC provides an annual education program for directors of CIC subsidiary Crown corporations, which focuses on the key roles and responsibilities of boards and best practices in corporate governance. The Board must comply with CIC's Directors' Code of Conduct. SOCO has also developed a Corporate Code of Conduct which applies to the Board as well as the Officers and employees of the Corporation. The Board and Committees hold in-camera meetings and have access to outside professional advisors if necessary.

## Board Remuneration and Expenses

The Remuneration Schedule and Expense Guidelines for the Board of Directors are approved by the Crown Management Board and set out as follows:

Member Retainer	Member Meeting Fee	Chair Retainer	Chair Meeting Fee	Committee Chair Meeting Fee
\$7,000	\$500	\$10,000	\$600	\$550

Total remuneration paid to the Board of Directors in 2008 was \$74,440.

## Corporate Governance Practices

Crown Investments Corporation Chairs Forum has requested that Saskatchewan Crown corporations use the Canadian Securities Administrators (CSA) Corporate Governance Guidelines and Governance Disclosure Rules to standardize the reporting and benchmarking of governance practices. The CSA guidelines have superseded the Toronto Stock Exchange guidelines previously used.

## Independence

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for SOCO, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. At each board and committee meeting, the directors meet in-camera without the presence of management.

## Board of Directors

### **Arlene Wiks**

Chair

Arlene Wiks is recently retired from CIBC where she spent 35 years in a variety of roles. At retirement she held the position of Associate Vice President, Small Business and Retail Banking responsible for branches in Regina and Saskatoon. Arlene has served on several boards over the years including Director of the Saskatoon and District Chamber of Commerce, Royal University Hospital Foundation and Junior Achievement.

### **Dave Button**

Dave Button is the Vice President Administration and Chief Financial Officer at the University of Regina. He is responsible for the logistics of running the University including Human Resources, Information Services, Risk Management, Ancillary Services, Financial Services, Resource Planning, Security and Facilities Management. Dave is a Professional Engineer, Planner and Project Management Professional. Dave has been at the University of Regina for 14 years, and prior to that retired from the Military as a Lieutenant Colonel after almost 22 years of service as a Military Engineer. Dave is also a member of the Board of the Canadian Association of University Business Officers; Rocky Mountain Region of the Association of Physical Plant Administrators and resource to the University of Regina Board of Governors. He was a past board member for Wascana Centre Authority.

### **Shauna Fjaagesund**

Shauna Fjaagesund is a Mortgage Specialist in the Swift Current Branch of the Royal Bank of Canada. She specializes in providing southwest Saskatchewan families with residential financing. Ms. Fjaagesund recently finished her term as the President of the Swift Current & District Chamber of Commerce. She owns and manages her residential housing and commercial farmland properties and has prior experience as a financial consultant, small business owner, and biotech laboratory worker.

### **Dr. Richard Florizone**

Dr. Richard Florizone is the Vice President of Finance and Resources at the University of Saskatchewan. Originally from Prince Albert, Richard is a graduate of the University of Saskatchewan in Engineering and Physics and holds a Ph.D. in Nuclear Physics from the Massachusetts Institute of Technology (MIT). His previous work experience includes positions as a Director of Strategy for Bombardier Aerospace, Consultant and Project Leader for The Boston Consulting Group, and Senior Corporate Liaison Officer and Fundraising Consultant for Cambridge University. Richard has served on several boards over the years including the Canadian Light Source. In October 2008 he was asked to chair the Uranium Development Partnership by the Government of Saskatchewan.

### **Mark Regier**

Mark Regier has been with Saskatoon Prairieland Park Corporation for the past 18 years, six years as Controller and 12 years as Chief Executive Officer. He has received a Certified Fair Executive Designation from the International Association of Fairs & Exhibitions for his work in the fair industry. Mark is Past President of the Canadian Association of Fairs & Exhibitions and Past Chair of Tourism Saskatoon. He holds a Bachelor of Commerce degree from the University of Saskatchewan and is a Certified Management Accountant (CMA).

### **Kathy Shirkey**

Kathy Shirkey is the Marketing District Team Leader with AECOM (formerly UMA Engineering), a global engineering firm. She is responsible for all aspects of marketing including guiding and providing oversight for all AECOM engineering proposals in Saskatchewan. Kathy is past President of the International Association of Business Communicators, Saskatoon Chapter. She has BA (hons) in Regional and Urban Development and a Business Administration Certificate, both from the University of Saskatchewan.

# EXECUTIVE MANAGEMENT

## Management Remuneration

Members of executive management are paid a base salary plus are eligible for short term incentive payments based on performance objectives approved by the Saskatchewan Opportunities Corporation Board of Directors. These performance objectives are a combination of corporate objectives and personal objectives. Corporate objectives represent 75% of the available incentive payments for Vice Presidents and 85% for the President. In 2008 the total compensation paid to executive management was \$767,526.

## Corporate Officers

### **Douglas Tastad**

President and Chief Executive Officer

- President and Chief Executive Officer for Innovation Place since 2002.
- 30 years with Innovation Place, including positions as Vice President of the Research Parks Division and other senior management positions.
- Key management person in 1979 during the inception of Innovation Place.
- Chair of the Meewasin Development Review Association.
- Member of the Saskatchewan Advanced Technology Association board.
- Previously served on various business and community boards, including the Saskatchewan Association of Architects (community representative), University of Saskatchewan Technologies Inc. (UST) and the BIOTEC Canada Finance Committee.
- Honourary member of the Saskatchewan Association of Landscape Architects.

**Charlene Callander**

Vice President and Chief Financial Officer

- Vice President and Chief Financial Officer for Innovation Place since 2006.
- Joined Innovation Place in 2001 as the Corporate Comptroller; promoted to Executive Director, Accounting and Administration in 2003.
- Prior to joining Innovation Place obtained her Chartered Accountant designation at the Provincial Auditor of Saskatchewan and worked as Assistant Director of the Integrated Financial Services Unit at Saskatchewan Health.

**Ken Loeppky**

Vice President and Chief Operating Officer

- Vice President and Chief Operating Officer for Innovation Place since 2008.
- Joined Innovation Place in 2000 as the General Manager of the Regina park.
- Prior to joining Innovation Place worked as a Senior Property Manager at Harvard Developments Inc. and at Saskatchewan Housing Corporation.
- Past Chair of the Building Owners and Managers Association (BOMA) of Canada.
- Chair of BOMA's National Advisory Council (NAC).

**Austin Beggs**

Vice President, Corporate Relations

- Vice President, Corporate Relations for Innovation Place since 2008.
- Joined Innovation Place in 1980 and has held a variety of positions related to marketing, development and communications; served as the first General Manager of the park in Regina.
- Past President of the Association of University Research Parks (AURP).
- Member of the International Association of Science Parks (IASP).
- Member of the Board of Directors for Regional Employment Development.
- Saskatchewan Chapter Chair for the Manning Innovation Awards.

**Lorne Vinish**

Vice President, Business Services

- Vice President, Business Services for Innovation Place since 2008.
- 14 years with Innovation Place in various positions including Investment Manager and Director, Business Services.
- Previous positions include the roles of stockbroker, manager of a mutual fund dealer, consulting manager with the Business Development Bank and commercial banker with the Continental Bank of Canada.
- Serves as a member of the board of SRNet, Saskatchewan's high-speed research network.

# STRATEGIC DIRECTION

Crown Investments Corporation has provided all Crown corporations with an outline of the government's policy objectives and priorities. It has also set out the mandated categories for each Crown's balanced scorecard.

The SOCO Board has provided further direction to management through their approval of a corporate vision, values and broad goals specific to SOCO.

The Business Strategy contained in this document is subject to annual review and monitoring by the SOCO Board.

## Mission

*To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.*

SOCO's mission affects the Corporation's future in the following two key ways:

- Growth of the technology sector is primarily achieved through the implementation of strategies which then contribute to the growth of the research parks. To accommodate growth adequate space must be available within the parks.
- To compete internationally, Saskatchewan companies and institutions need research infrastructure equal in quality to their competitors and an attractive work environment that supports their recruitment and marketing efforts.

## Vision

*Saskatchewan's research parks will be the best in the world.*

Tenants of the research parks compete in a world wide marketplace for employees, investors and clients. To adequately support them, Innovation Place must be prepared to compete with the best alternative locations throughout the world.

The Corporation's vision is intended to inspire its employees towards excellence in their everyday work and it is intended to act as a lens through which they make decisions. The vision affects every part of the Corporation's operations, administration and development.

## Values

Innovation Place fully subscribes to the mandated Crown Sector values of honesty, integrity, fairness and respect, and social and environmental responsibility. In addition, the following values have naturally grown within Innovation Place and differentiate us from others in our industry:

<i>Innovation</i>	Innovation in all our business activities.
<i>Collaboration</i>	Open and accountable in all our partnerships.
<i>Excellence</i>	The pursuit of excellence in design, operations and administration.

## Balanced Scorecard

Crown Investments Corporation provides all Crown corporations with clear direction for establishing long term planning. Corporate objectives, measures and targets are established for the required categories of Public Purpose, Stakeholders, Financial and Innovation. The Balanced Scorecard is used to measure and report performance and results for these goals.

### Public Purpose

Grow Saskatchewan's technology sector by contributing to the growth of the parks' clients, supporting the establishment of new technology companies and attracting new science and technology activity to the province.

### Stakeholders

Make it easy for all stakeholders to successfully accomplish their objectives in an environment of fairness, transparency and well-being.

### Financial

Maintain profitability at a level that supports the growth of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our clients.

### Innovation

Through our efforts and by the example we set, enhance the performance of our industry, our environment and the people we serve.

## Public Purpose

	Measure	2008 Target	2008 Actual	2009 Target
<b>Job Creation</b>	1. Employment growth within Innovation Place	279	555	530
	2. Independent analysis of the economic impact of Innovation Place tenants	\$655M	\$647.1M	\$740M
	3. Number of tenants locating from outside the province	3	6	3
	4. Number of start-up companies locating at Innovation Place	5	7	5

## Stakeholders

	Measure	2008 Target	2008 Actual	2009 Target
<b>Client Satisfaction</b>	5. Percentage of CEOs that would recommend Innovation Place to colleagues	95%	98.55%	98%
<b>Engaged Employees</b>	6. Percentage of employees fully engaged in their work	70%	63%	65%
<b>Support from Ownership</b>	7. Percentage of general public aware of and have a positive opinion of Innovation Place	90%	99.7%	98%
<b>Productive Workforce</b>	8. Percentage of annual gross salaries devoted to employee training	1.5%	1.06%	1.5%



## Financial

	Measure	2008 Target	2008 Actual	2009 Target
<b>Return on Investment</b>	9. Cash return as a percentage of cost of assets	2.68%	3.47%	<b>3.61%</b>
<b>Sustainable Financial Position</b>	10. Debt as compared to equity	2.30:1	1.39:1	<b>1.7:1</b>
<b>Operating Efficiency</b>	11. Corporate administration as a percentage of revenue	18.7%	14.84%	<b>15.15%</b>
<b>Vacancy</b>	12. Vacancy as a percentage of total space inventory	5.9%	4.25%	<b>3.7%</b>

## Innovation

	Measure	2008 Target	2008 Actual	2009 Target
<b>Reduce Non Renewable Energy Consumption</b>	13. Attain 'BOMA BEST' average points per building	700	792	<b>800</b>
<b>Available Inventory</b>	14. Available inventory to meet identified demand	41.1%	26.83%	<b>62.6%</b>
<b>Saskatchewan Procurement</b>	15. Percentage of expenditures sourced in Saskatchewan	90%	97.05%	<b>95%</b>
<b>Social Responsibility</b>	16. Sponsorships as a percentage of net income	1.49%	.75%	<b>1.15%</b>
<b>Representative Workforce</b>	17. Percentage of employees who are Aboriginal	9%	8%	<b>8%</b>
	18. Percentage of employees who are female and in under-represented occupations	38%	36%	<b>31%</b>
	19. Percentage of employees with a disability	5%	8%	<b>5%</b>
	20. Percentage of employees who are a visible minority	5%	5%	<b>5%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Introduction

The following management discussion and analysis for Saskatchewan Opportunities Corporation should be read in conjunction with the audited consolidated financial statements and notes to those statements for the year ended December 31, 2008. What follows will provide the context within which the Corporation's financial statements should be analyzed.

## Forward Looking Information

This discussion includes forward looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

## Corporate Overview

SOCO is a Saskatchewan Crown Corporation with a direct reporting relationship to the Minister Responsible for Saskatchewan Opportunities Corporation. SOCO operates under the business name Innovation Place. The Performance Management Plan is approved by the Board of Crown Investments Corporation as are major development projects. The corporate mission is to support the growth and success of Saskatchewan's technology sector. Innovation Place fulfills this mission through the development and operation of research parks on the campuses of the province's two universities in Saskatoon and Regina, as well as a forest sector building in downtown Prince Albert.

### Core Business

Innovation Place designs and constructs specialized buildings primarily for technology companies. Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within buildings is approximately five percent.

Innovation Place provides its clients with a superior working environment that contributes directly to their productivity. The quality of the environment is not only intended to enhance operating efficiency and tenant innovation but to assist tenants in employee recruitment and corporate marketing.

A diverse mix of research and service tenants, a dynamic social atmosphere and high quality facilities work together to create a community that encourages interaction, collaboration and growth. Tenant diversity is achieved by bringing together private and public, large and small, local and international organizations. Collaborations resulting from this tenant mix, together with access to specialized services and facilities not available elsewhere, bring value to Innovation Place tenants. An appropriate tenant mix is ensured by the approval process prospective tenants must go through. The Regina and Saskatoon parks each have an independent committee comprised of representatives from the local business community, university and municipal government; these committees review and approve all tenants that locate within the park facilities.

Major categories of operating costs include utilities, grants-in-lieu of taxes, building and grounds maintenance and corporate administration. In general, both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions. The greatest opportunities for increased revenue are from the development of new buildings and increases in rental rates.

### Bio Processing Centre

Innovation Place operates the Bio Processing Centre, a contract processing centre in Saskatoon. It extracts high value compounds from plant material, primarily for cosmetic and specialized food purposes. Since 2000, approximately 20 Saskatchewan companies have used the Bio Processing Centre for their processing requirements as have a similar number from outside the province.

# Keys to Success

## Public Purpose

The key measurement of success in meeting the mission for Innovation Place is the growth in number of employees working within the parks. Particular attention is paid to encouraging the growth of existing tenants, assisting start-up companies and attracting companies to the parks from outside the province. Growth of employees in the parks is directly linked to available space to accommodate that growth.

The primary leading indicator for growth is the level of identified demand relative to available space. When demand substantially exceeds supply it indicates the need for the development of additional facilities.

The key indicator for demand is client satisfaction as most past growth has come from either existing tenants or referrals from existing tenants. Client satisfaction results from matching the product (the technical, business, social and physical environment) to the needs of the tenants.

## Financial

Financial success is primarily measured by cash from operations as a percentage of the cost of assets. Cash from operations provides equity for new development and funds capital maintenance. Due to the fixed nature of most operating costs and the fact that revenue comes from medium term contracts within a narrow variation in rental rates, the key internal signals for future success in cash flow are vacancy levels and corporate administrative costs as a percentage of revenue. The key external impacts on future financial success are local market conditions in rental rates and construction costs.

The real estate markets in Saskatoon and Regina have seen substantial increases in advertised rental rates for all categories of buildings. Rental rates in Innovation Place facilities have seen a similar increase during 2008, with base rents (total rental rate minus building operating costs) increasing by as much as 50% in some cases. The increase in rental rates reflects the increased cost of building construction and the limited amount of available space in both cities. Future increases in rates may be affected by a potential reduction in demand resulting from the slowing of the Canadian and international economies.

Construction costs continue to go up; however there is a general feeling within the architectural and engineering community that the rate of increase is declining and prices may level out as the economy slows or contracts.

The specialized nature of Innovation Place facilities combined with the fact that the technology sector represents quite a narrow target market result in limited competition with the general real estate markets in Saskatoon and Regina.

The Bio Processing Centre has fundamentally different financial dynamics, as contracts are measured in terms of days rather than years and the industry is subject to substantial fluctuations based on changing markets for the processed products. Fluctuations also occur due to the relatively early stage of business maturity typical of most Bio Processing Centre clients. As most expenses are fixed, financial performance is greatly affected by the utilization rate of the Bio Processing Centre and the margins of each process. The main policy objective of the Bio Processing Centre is support for the Saskatchewan bio products industry.

# Capability to Deliver Success

## **Rental Space Inventory**

To meet the growth needs of tenants and to accommodate new tenants, vacant space inventory is necessary. During the past year a major office building was completed at the park in Saskatoon. By June 2008 all of the available space in that building was leased. Vacant space in Saskatoon totaled 43,140 square feet at the end of 2008. It is anticipated all this space will be leased by the end of 2009.

To alleviate the pressure of high demand for space in Regina construction of one building began during 2007 and it is expected the base building will be completed early in 2009 with tenants beginning to occupy space in the first quarter of 2009. It is anticipated the building will be fully occupied by the end of 2009. It is anticipated that there will be no vacant space in Regina by the end of 2009.

Innovation Place has suspended new building development activities at the request of Crown Investments Corporation. A review is underway by Crown Investments Corporation to determine the most productive path forward for the development of new Innovation Place facilities.

The earliest any additional development could be completed and available for lease would be late 2010, more probably early 2011 depending on the size and complexity of the building.

## **Financial**

Based on current performance Innovation Place has the financial resources to meet all the capital investment requirements to maintain existing buildings at their present high level of quality and to support a building program of approximately 40,000 square feet per year. In the present state of economic uncertainty it is difficult to predict whether that level of new development will meet the needs of new and existing clients.

## **Human Resources**

At the present level, Innovation Place employees have the capacity to manage all of the operating and development requirements of the company. With relatively small additional resources, capacity could be substantially expanded. The average age of employees is younger than the general workforce in Saskatchewan. Succession planning is made easier by the relatively even distribution of ages throughout the Corporation.

## **Systems**

Financial and operating systems have the capacity to meet foreseeable growth. Business system equipment and software and park network equipment and software are upgraded on a regular basis. A study is underway to review hardware and software used for building management systems. This study will be used to formulate a plan for regular upgrading of these systems.

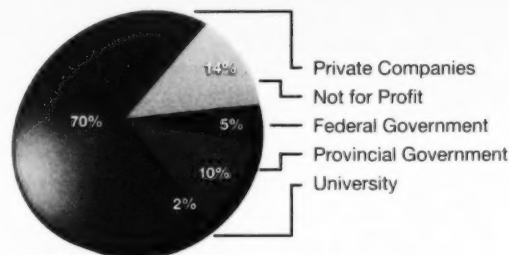
## Results

### Public Purpose

By year end 2008 4,300 people were working in Innovation Place facilities, representing 15% growth during the year. Over 90% of this growth resulted from the continued expansion of existing tenants, the attraction of new clients from outside Saskatchewan and start-up companies establishing in the parks.

There are presently 170 different tenants in Innovation Place. The following graph shows the breakdown of tenant ownership.

Direct annual economic impact on Saskatchewan from Innovation Place clients grew 10% to \$647 million. Economic impact has grown 46% over the past five years averaging over 9%.



Identified demand for space at December 31, 2008 was just under 360,000 square feet, almost four times the space either vacant or under development.

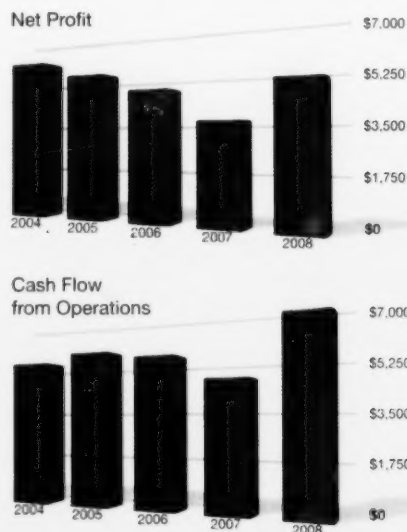
Client satisfaction remains high at 98%. This high rating reflects both the quality of facilities and the quality of operations. Specific examples include the timeliness of maintenance response, the availability of specialized services on site, the specialized nature of the facilities and the active social environment. The attractiveness of the physical environment and the park amenities also contribute to client satisfaction by assisting clients marketing and recruitment efforts.

### Financial

Overall revenues of \$30.4 million were up from \$25.4 million in 2007. The core rental operations remain strong with revenue increasing by over \$4.4 million in 2007, with almost half of that increase related to the additional nine months of revenue generated by the newly leased building, 121 Research Drive in Saskatoon which was transferred to a rental asset on April 1, 2008, one month ahead of plan. The remaining increase in rental operations revenue corresponds to increased revenue for occupancy cost recovery, parking, maintenance projects and food services. The Bio Processing Centre had higher utilization in 2008 compared to 2007 resulting in increased revenue of \$548,000.

Expenses of \$25.3 million were up from \$21.7 million in 2007. This increase is primarily due to increased rental operations expenses for the additional nine months of operations for 121 Research Drive and costs associated with general increases in occupancy costs, maintenance projects and food service. Administrative expenses remained consistent with last year due mainly to vacant staff positions, therefore the ratio of administrative expenses to revenue decreased to 14.84% down from the 17.82% for 2007 and lower than the budgeted ratio of 18.7%. There was also a combined increase of interest and amortization of \$1.39 million which is directly related to increased capital investment.

Net Income grew 37% compared to 2007, reversing a recent trend of deteriorating earnings. Cash from operating activities grew by 44% to its highest level ever.



# Outlook

## Development

Demand for space in Innovation Place facilities remains high. In response to this demand, Innovation Place has developed a capital plan for the next five years that represents a potential investment of \$103 million. This level of investment would accommodate as many as 1,000 additional tenant employees. Conceptual design has been completed for these projects. Detailed design and tendering will take the better part of a year therefore it is doubtful any new building construction will commence during 2009.

As the Corporation's equity contribution for new capital projects is funded from operations, the execution of the capital plan will be dependent on the financial results of the Corporation. Innovation Place is also considering other ways to accommodate demand for space, such as partnering with the private sector and the conversion of storage space to rental space.

A new building in Regina, 2 Research Drive, will be completed by the end of the first quarter of 2009 which represents space for approximately 200 additional employees.

## Financial

Net income for 2009 is expected to be similar to the 2008 results. Core rental operations remain strong with expected increases in net income due to the additional 3 months of 121 Research Drive net income during 2009. In addition, transferring 2 Research Drive to an operating asset may improve forecasted results if tenants occupy sooner than anticipated. The best opportunity for improving forecasted results comes from the potential that a general increase in rental rates will occur during the next number of years. The existing inventory of approximately 1.5 million square feet provides a strong base for revenue increases in a period of rental rate escalation.

The Bio Processing Centre is anticipated to show improved financial results in 2009 but is not expected to be profitable. If demand for processing increases, there is enough capacity in the plant to generate substantial net income. New marketing initiatives will attempt to generate higher utilization rates within the Centre.

While as of year end there is no evidence of an erosion of revenue due to world economic events, management is aware the present outlook may be subject to change as events unfold.

An increase in administration expenses is expected during 2009, mainly due to increased salary costs as vacant positions are filled. Interest and amortization expenses are expected to increase significantly during 2009 as a result of the increase in assets.



## Risk

Innovation Place considers risks as those factors that may inhibit its ability to meet its mission as measured by the strategic objectives outlined in our Performance Management Plan. These risk factors include demand for space, attainable rental rates, occupancy levels in existing buildings, approval for future development, construction costs and interest rates.

The current state of the global economy has raised concerns over capital availability, liquidity and increased corporate failures. The potential impact on the operations of Innovation Place or its tenants is presently unknown however it is recognized as a potential risk. There is potential that these broader economic conditions could impact demand and rental rates in the future affecting revenue from existing tenants as well as the viability of future projects. Management is monitoring the impact on tenants closely. Recent discussion suggests there is no immediate concern.

If demand for space was to fluctuate substantially in the future, the assumptions in the capital plan will be re-evaluated. It is possible that demand could unexpectedly increase or decrease due to recent economic conditions or conditions not apparent at this time. Management will monitor levels of demand and continue to ensure new building projects are supported by a reasonable level of lease commitments prior to the project commencement to mitigate the risk of rapid changes in demand during the construction period.

At the request of Crown Investments Corporation, Innovation Place has temporarily ceased all planning and design for new development while a review of future options for effectively managing the parks is conducted. As the hold on development continues Innovation Place risks the inability to meet future demands of existing and potential tenants. Innovation Place is cooperating with Crown Investments Corporation to ensure an acceptable plan for future development is found as quickly as possible. Further direction from the government is expected early in 2009.

There are two elements of new construction that are largely outside of the control of management — construction costs and interest rates. If construction costs continue to rise at recent rates without a corresponding increase in market rental rates, the capital plan for the next five years will be put at risk. The same is true for interest rates. The capital plan anticipates approximately 75% of the capital invested in new projects will be financed by interest bearing debt. Management continually monitors interest rates, construction costs and rental rates; it is critical these elements are aligned prior to submitting new development plans to ensure projects are profitable.

The nature of our longer term lease contracts and the diversity of clients lower the risk of any dramatic impact on financial return from existing buildings. However, the fixed nature of our expenses does expose Innovation Place to some risk if tenants are unable to pay lease payments.

The risk associated with the Bio Processing Centre is substantially different. Due to the fixed nature of expenses, the main risk is a reduction in demand for processing as occurred during 2007. This demand has historically been very volatile. A continued effort to increase the number and diversity of clients will assist in managing this risk. The current economic status has potentially opposing impacts on the Bio Processing Centre. Firstly, the Centre provides services for clients who otherwise would have to build their own plant; therefore, if any clients were planning to build the current economic outlook may postpone such plans requiring a large capital investment. On the other side, all of the Bio Processing Centre clients sell products internationally and depending on the product sales may increase or decrease in these economic times.



# Accountability and Controls

## **Future Accounting Changes - International Financial Reporting Standards (IFRS)**

In February, 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The CICA is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including Crown Investments Corporation and its subsidiaries. At this time the final outcome of these deliberations is not determinable and therefore the need for Innovation Place to adopt IFRS has not been firmly established. However, given the considerable effort required to prepare for the adoption of IFRS within the communicated timelines, the Corporation is proceeding under the assumption that adoption of IFRS will be required.

The Corporation has commenced an IFRS conversion project including the development of high level IFRS implementation plans which include stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. Board members have been briefed and have approved the IFRS plan. An external advisor has been engaged to assist management throughout the process.

Management from Innovation Place have participated in detailed IFRS training seminars and have completed an initial assessment of those international financial reporting standards. Based on the analysis to date, the most significant areas of difference are related to accounting for investment property, property, plant and equipment and financial statement disclosures.

Crown Investments Corporation has established crown sector working groups to review identified standards in detail and discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution. Innovation Place management participates in those working groups. Selection of cross sector specific accounting policies has begun.

At this time, the impact of IFRS on the Corporation's processes, systems, internal controls over financial reporting and disclosures, future financial position and results of operations is not reasonably determinable. Draft impacts on processes, systems and controls as well as draft IFRS financial statement presentation formats are anticipated in the second half of 2009.

As part of the IFRS implementation, Innovation Place plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

## **Audit Processes**

### *External Audit*

The Corporation's annual financial statements are audited by an independent auditor. The external auditor is appointed by Order-in-Council, with the appointment being reviewed typically every five years. The current external auditor, Deloitte & Touche LLP, has completed the third year of the five year agreement.

The *Provincial Auditor Act* gives the Provincial Auditor the responsibility, authority and independence to audit and publicly report on all government organizations. As such, the external auditor coordinates the involvement of the Provincial Auditor in the Corporation's audit. The coordination of the audit is conducted in accordance with the recommendation on the Task Force on the Roles, Responsibilities and Duties of Auditors, which recommends various protocols.

In addition to the audit reports on the annual financial statements, the external auditors also report on: matters related to the system of internal controls, compliance with legislative authorities and any other matters that should be brought to the attention of the Legislative Assembly. These reports are provided to management, the Audit and Finance Committee and the Board of Directors.

### *Internal Audit*

In June 2006, an Internal Audit function was established at Crown Investments Corporation to assist in providing an independent, objective view on the effectiveness of risk management, governance and internal controls to those Crown corporations who do not have the resources to support an Internal Audit department.

The Internal Audit staff are employed by Crown Investments Corporation and their offices are also located at Crown Investments Corporation. An Internal Audit Charter was presented to the Audit and Finance Committee and subsequently approved by the Board of Directors on August 27, 2008. The Charter outlines the purpose, authority, reporting structure and responsibilities of the internal audit activity.

## **Certification of Internal Controls over Financial Reporting**

All CIC subsidiary Crown corporations will be required to insert a Statement of Management Responsibility in their 2009 Annual Report which includes the Chief Executive Officer's and Chief Financial Officer's attestation to the following:

- the financial statements are accurate and do not contain any misrepresentation;
- the Corporation has designed and implemented internal controls over financial reporting and disclosure controls; and
- all reportable deficiencies have been disclosed particularly those that could lead to material misstatements or important information going unreported.

The Corporation has commenced a certification process including developing an implementation plan. The plan and subsequent updates have been provided to the Audit and Finance Committee and the Board of Directors. Management will continue to document and test internal controls throughout 2009.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

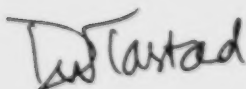
The accompanying consolidated financial statements of Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian Generally Accepted Accounting Principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The Corporation's independent auditors, Deloitte & Touche LLP, have examined the financial statements of Innovation Place. The scope of their examination and their opinion on whether these financial statements present fairly the financial position and operating results of Innovation Place are given in the auditors' report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The Board of Directors has reviewed and approved these financial statements.

On behalf of management,



**Douglas Tastad**  
President and Chief Executive Officer



**Charlene Callander**  
Vice President and Chief Financial Officer

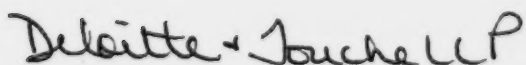
# AUDITORS' REPORT

**To the Members of the Legislative Assembly  
Province of Saskatchewan**

We have audited the consolidated statement of financial position of Saskatchewan Opportunities Corporation, operating as Innovation Place, as at December 31, 2008 and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Innovation Place's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Innovation Place as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

Regina, Saskatchewan  
February 4, 2009

# FINANCIAL REPORT

## Consolidated Statement of Financial Position

as at December 31

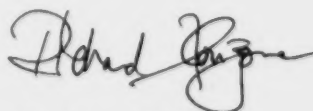
	2008 (000s)	2007 (000s)
<b>ASSETS</b>		
Cash	\$ 8,071	\$ 8,842
Accounts receivable	4,649	3,417
Prepaid expenses	366	202
Property, plant and equipment	51,586	39,254
	<b>\$ 64,672</b>	<b>\$ 51,715</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Accounts payable and accrued liabilities	\$ 6,559	\$ 4,668
Deferred revenue	721	430
Notes payable (note 5)	10,859	28,844
Long term debt (note 6)	23,684	-
	<b>\$ 41,823</b>	<b>\$ 33,942</b>
Province of Saskatchewan's Equity		
Retained earnings	22,849	17,773
	<b>\$ 64,672</b>	<b>\$ 51,715</b>

(Commitments and contingencies – note 7)  
(See accompanying notes)

On behalf of the Board,



**Arlene Wiks**  
Chair



**Dr. Richard Florizone**  
Director

## Consolidated Statement of Operations and Comprehensive Income

for the year ended December 31

	2008 (000s)	2007 (000s)
<b>REVENUE</b>		
Rental	\$ 27,187	\$ 22,758
Bio Processing	2,359	1,811
Other	827	825
	<b>\$ 30,373</b>	<b>\$ 25,394</b>
<b>EXPENSES</b>		
Administration	\$ 4,542	\$ 4,540
Rental operations	15,788	13,623
Bio Processing operations	2,328	2,277
Interest (note 8)	872	216
Amortization	1,767	1,033
	<b>\$ 25,297</b>	<b>\$ 21,689</b>
<b>NET INCOME</b>	<b>5,076</b>	<b>3,705</b>
Other Comprehensive Income	-	-
<b>COMPREHENSIVE INCOME</b>	<b>\$ 5,076</b>	<b>\$ 3,705</b>

(see accompanying notes)

## Consolidated Statement of Retained Earnings

for the year ended December 31

	2008 (000s)	2007 (000s)
Retained earnings, beginning of year	\$ 17,773	\$ 14,068
Net Income	5,076	3,705
Retained earnings, end of year	<b>\$ 22,849</b>	<b>\$ 17,773</b>

(see accompanying notes)

# Consolidated Statement of Cash Flows

for the year ended December 31

	2008 (000s)	2007 (000s)
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 5,076	\$ 3,705
Add non cash item:		
Amortization	1,767	1,033
	6,843	4,738
Change in non cash operating items:		
Accounts receivable	(1,232)	47
Prepaid expenses	(164)	6
Accounts payable and accrued liabilities	1,174	242
Deferred revenue	291	(28)
Cash provided by operating activities	6,912	5,005
<b>INVESTING ACTIVITIES</b>		
Change in accounts payable for capital, non cash	717	(665)
Purchases of property, plant and equipment	(14,099)	(15,883)
Cash used in investing activities	(13,382)	(16,548)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	11,000	12,000
Repayment of notes payable	(28,985)	(156)
Proceeds from long term debt	23,684	-
Cash provided by financing activities	5,699	11,844
<b>NET CHANGE IN CASH DURING THE YEAR</b>	(771)	301
<b>CASH, BEGINNING OF YEAR</b>	8,842	8,541
<b>CASH, END OF YEAR</b>	8,071	8,842
<b>Supplementary Information:</b>		
Interest paid on notes payable	609	888

(see accompanying notes)

# Notes to Consolidated Financial Statements

December 31, 2008

## 1. Status of Corporation

Saskatchewan Opportunities Corporation (the "Corporation"), which operates under the business name of Innovation Place, was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force in 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

The mandate of Innovation Place is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research parks.

## 2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following accounting policies are considered to be significant:

### a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and 212822 Saskatchewan Ltd. (operating as Boffins).

As the Corporation has an obligation to absorb the expected losses of 212822 Saskatchewan Ltd., it falls under the classification of a Variable Interest Entity and is consolidated in the accounts of the Corporation.

### b) Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost, net of accumulated amortization and net recoverable amount. Rental assets consist of buildings at Innovation Place in Saskatoon, Regina and Prince Albert, as well as related site improvement costs, tenant improvements and equipment. Office equipment and furniture are used by the Corporation for its own use.

Buildings and site improvement costs, net of estimated residual value, are amortized on a straight-line basis over the estimated useful life of the particular asset (15 to 40 years). Tenant improvements are amortized on a straight-line basis over the term of the associated lease (5 to 10 years). Equipment and furniture are amortized on a straight-line basis over 3 to 5 years.

Construction in progress consists of buildings and tenant improvements currently under development. Costs capitalized to assets under development include all direct and directly attributable expenditures incurred in connection with the acquisition, development, construction and operating losses during the initial predetermined leasing period. Costs directly attributable to development projects include interest and salaries and benefits of employees directly associated with the development projects. Revenue generated from the project during the development period is treated as a reduction of costs.



c) Revenue recognition

The Corporation uses the straight-line method of recognizing rental revenue whereby the total amount of contractual rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, deferred rent receivable is recorded for the difference between the straight-line rental revenue recorded and the contractual amount due from tenants.

With the exception of rental revenue, revenue is recognized as services provided to customers, tenants and clients using the accrual basis of accounting.

Amounts received in advance of contract terms are recorded as deferred revenue.

d) Financial instruments

Fair values are based on quoted market prices, specifically the latest bid price, where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading.

After initial recognition, financial instruments are measured at fair value, amortized cost or cost, depending on the classification of the financial instrument.

The Corporation has made the following classifications:

- Cash is classified as financial assets held-for-trading and is measured at fair value.
- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Accounts payable, notes payable and long term debt are classified as other liabilities and measured at amortized cost using the effective interest method.

e) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to estimates include the carrying amounts of property, plant and equipment and underlying estimations of useful lives, certain accrued liabilities, and the carrying amounts of accounts receivable and underlying provision for bad debts. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

### 3. Change in Accounting Policy

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether the Corporation has complied with externally imposed capital requirements. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results. The new required disclosure is provided in Note 9.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The new presentation standards are unchanged from the previous presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the operating results of Innovation Place. The new required disclosure is provided in Note 10.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for inventories (CICA Handbook Section 3031). The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior years results. There was no financial impact of adopting this new standard.

#### 4. Property, Plant and Equipment

	Cost (000s)	Accumulated Amortization (000s)	2008 Net Book Value (000s)	2007 Net Book Value (000s)
Rental assets	\$ 37,068	\$ 3,014	\$ 34,054	\$ 5,533
Office equipment and furniture	3,317	2,602	715	651
Construction in progress	16,817	-	16,817	33,070
	57,202	5,616	51,586	39,254

In 2004 and 2005, rental assets with an original total cost of \$181,828,000 were transferred to the Province of Saskatchewan's General Revenue Fund (GRF) in exchange for the GRF forgiving notes payable and long-term debt of the Corporation outstanding at April 1, 2004. Under an operating agreement with the Ministry of Energy and Resources (formerly the Ministry of Industry and Resources), dated March 2, 2005, the Corporation leases the transferred assets for a nominal annual amount. Under the terms of this agreement, the Corporation has been assigned all rental revenue generated and is responsible for all costs associated with their operation.

#### 5. Notes Payable

At December 31, 2008, the Corporation had notes payable to the GRF of \$10,859,000 (2007 - \$28,844,000), due March 31, 2009. Notes payable to the GRF bear interest at rates established on a quarterly basis by the Ministry of Finance. The interest rate at December 31, 2008 is 1.35% (December 31, 2007 - 3.88%).

## 6. Long Term Debt

The Corporation's long term debt balance consists of one CPP Investment Board debt issue with the Province of Saskatchewan. The \$23,684,000 was issued July 11, 2008, bears interest at 4.71% (effective rate of 4.71%) and is due July 11, 2038.

Under conditions attached to the debt issue, the Corporation is required to invest an amount equal to one percent of the original debt issue on an annual basis. The investment, in the form of a sinking fund, is administered by Saskatchewan's Ministry of Finance. The first contribution of \$236,840 is due July 11, 2009. Upon redemption of the debt issue, the Corporation is required to pay the principal balance less the amount available from the sinking fund.

## 7. Commitments and Contingencies

The estimated cost to complete projects under construction is approximately \$7,400,000 (2007 - \$15,900,000).

The Corporation continues its discussion with the City of Saskatoon regarding electrical consumption for one building at Innovation Place that was not appropriately metered for the period of 1987 to 2002. Innovation Place has accrued a payable which is considered to be a reasonable estimate based on the current facts. The Corporation will account for any difference in the settlement amount in the period in which the issue is resolved.

The Corporation is also the defendant in other legal suits and disputes that have arisen in the normal course of business. The Corporation does not believe that the ultimate resolution of these matters will result in any liability.

## 8. Interest

Interest expense consists of the following:

	2008 (000s)	2007 (000s)
Notes payable	\$ 606	\$ 887
Long term debt	529	-
Interest capitalized	(263)	(671)
	<u>\$ 872</u>	<u>\$ 216</u>

## 9. Capital Management

The Corporation's capital management objective is to maintain financial viability by effectively managing cash from operations and its capital structure.

The Corporation's capital structure consists of notes payable having a term to maturity of one year or less, long term debt and equity, in the form of retained earnings.

The Corporation funds its capital requirements through internally generated funds and debt. As a Crown corporation, the Corporation receives its debt from the Saskatchewan Ministry of Finance. By legislation, the Corporation cannot have more than \$170 million of debt outstanding at any time. In addition, by Order-in-Council, the Corporation may only have \$50 million of short-term notes outstanding at any time.

The Corporation monitors its capital structure on the basis of the debt to equity ratio. The current long-term debt to equity ratio target is 3:1, which is consistent with the prior period. The ratio is calculated as follows:

	<b>2008</b> (000s)	<b>2007</b> (000s)
Notes payable	\$ 10,859	\$ 28,844
Long term debt	23,684	-
Cash available to repay debt	(2,831)	(5,857)
Total net debt	<b>\$ 31,712</b>	<b>\$ 22,987</b>
Retained earnings	<b>\$ 22,849</b>	<b>\$ 17,773</b>
Debt ratio	<b>1.39 : 1</b>	<b>1.29 : 1</b>

The Corporation complied with all externally imposed restrictions on its debt for the year ended December 31, 2008.

#### 10. Financial Instruments and Risk Management

##### a) Fair values

With the exception of long term debt, the fair value of financial assets and liabilities approximates carrying value due to their immediate or short-term nature. The fair value of long term debt at December 31, 2008 was \$23,800,000 (2007 – n/a).

##### b) Credit risk

Credit risk is the risk of an unexpected loss if a client or third party to a financial instrument fails to meet its contractual obligations. Although the Corporation's policy to promote economic development leads to accepting some tenants that have higher credit risk, potential losses are mitigated by the fact that no one tenant occupies more than 10% of rentable space. The Corporation also has established policies and procedures to assess the potential risk prior to extending credit to any client.

The maximum credit exposure is limited to the carrying amount of cash and accounts receivable. Cash is maintained with high-credit quality financial institutions and management considers the risk of non-performance to be minimal.

The following reflects an aging summary of the Corporation's accounts receivable:

	2008 (000s)	2007 (000s)
Current	\$ 2,932	\$ 2,369
31 – 60 days	312	550
61 – 90 days	374	34
Over 90 days	2,099	1,293
	5,717	4,246
Allowance	(1,068)	(829)
Accounts receivable	\$ 4,649	\$ 3,417

Provisions for credit losses are maintained and regularly reviewed by management. Credit losses are estimated based on an account by account review. Amounts are written off only after reasonable collection efforts have been exhausted. Details of the allowance are as follows:

	2008 (000s)	2007 (000s)
Allowance for doubtful accounts, beginning of period	\$ 829	\$ 569
Provision	245	383
Write-offs, net of recoveries	(6)	(123)
Allowance for doubtful accounts, end of period	\$ 1,068	\$ 829

c) Interest rate risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its notes payable. Interest rate risk is managed through converting notes payable to long-term debt with fixed interest rates. The impact of fluctuations in interest rates related to these debt instruments will not be significant and, therefore, management has not provided a sensitivity analysis of the impact.

d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The cash resources of the Corporation are managed based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities of the financial liabilities of the Corporation at December 31, 2008 (000s):

	<b>6 Months or Less</b>	<b>7 – 12 Months</b>	<b>1 – 2 Years</b>	<b>3 – 5 Years</b>	<b>More Than 5 Years</b>
Accounts payable and accrued liabilities	\$ 6,559	\$ -	\$ -	\$ -	\$ -
Notes payable	10,859	-	-	-	-
Long term debt	558	558	1,116	3,347	51,571
	<b>\$ 17,976</b>	<b>\$ 558</b>	<b>\$ 1,116</b>	<b>\$ 3,347</b>	<b>\$ 51,571</b>

Contractual cash flows for long term debt include principal and interest payments but exclude sinking fund installments.

#### 11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, universities, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	<b>2008 (000s)</b>	<b>2007 (000s)</b>
Accounts receivable	\$ 1,083	\$ 727
Prepaid expenses	-	12
Accounts payable and accrued liabilities	329	305
Deferred revenue	493	142
Rental revenue	10,794	8,641
Rental operations expense	1,475	1,433

The Corporation pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

**12. Pension Plan**

All employees are members of the Capital Pension Plan, a defined contribution plan administered by Crown Investments Corporation. The financial obligation of the Corporation is limited to making regular contributions in proportion to employees' earnings. These contributions are charged to income when made. Pension expense for the year was \$473,000 (2007 - \$404,000).

**13. Future Changes in Accounting Policies**

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior period. The Corporation has developed an IFRS conversion plan and will be completing conversion procedures throughout fiscal 2009. The impact on the Corporation's future financial position and results on operations is not reasonably determinable.



**Corporate Office**

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